

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 91-391-G - ORDER NO. 92-10 ✓
JANUARY 9, 1992

IN RE: Procedures to Allow for the Transfer)	
of Gas Supplies Between the Gas)	ORDER
Distributors and Their Industrial)	APPROVING
Customers During Periods of Supply)	PROCEDURES
Shortages to Protect Service to High)	
Priority Customers.)	

This matter comes before the Public Service Commission of South Carolina (the Commission) upon the Commission's own motion to establish procedures to allow for the transfer of gas supplies between gas distributors and their industrial customers during periods of supply shortages to protect service to high priority customers. Presently, gas distributors and many of their industrial customers are purchasing their gas supplies from many suppliers which are located in different areas of the United States. Because of these diverse supplies, one purchaser could be experiencing a supply shortage and another purchaser in the same general area could be experiencing no shortage. The Commission decided to hold a public hearing to determine if procedures can be established whereby the purchasers of these diverse gas supplies could exchange these supplies during emergency conditions to protect service to high priority customers. The Commission

desired the participation of the gas distributors, as well as industrial customers who purchase their gas supplies from independent suppliers.

The matter was duly noticed to the public and to the customers of the jurisdictional gas utilities in South Carolina. All gas utilities filed publishers' affidavits that the notice was filed in newspapers of general circulation in the affected areas, as well as certification that the individual customers had been notified. The parties of record in this proceeding are as follows: Piedmont Natural Gas Company, Inc. (Piedmont Natural), South Carolina Electric & Gas Company (SCE&G), South Carolina Pipeline Corporation (SCPC), United Cities Gas Company (United Cities), the Department of Defense (DOD), Chester County Natural Gas Authority, Lancaster County Natural Gas Authority and York County Natural Gas Authority (collectively referred to as the Gas Authorities), Nucor Steel, the City of Orangeburg, South Carolina Energy Users Committee (SCEUC), and South Carolina Department of Consumer Affairs (the Consumer Advocate). Several of the parties filed comments in this matter, as well as reply comments.

Thereafter, pursuant to the notice duly given, a public hearing was held as scheduled in the Commission's Hearing Room at 10:30 a.m. on November 21, 1991, the Honorable Henry G. Yonce, presiding. The Commission Staff was represented by Marsha A. Ward, General Counsel; Piedmont Natural was represented by Jerry W. Amos, Esquire, John Schmidt, Esquire, and Carolyn C. Matthews, Esquire; SCE&G was represented Patricia M. Smith, Esquire; SCPC

was represented by Sarena D. Burch, Esquire; United Cities was represented by Jerry A. Amos, Esquire, John Schmidt, Esquire, and Carolyn C. Matthews, Esquire; the Gas Authorities were represented by Emil W. Wald, Esquire; the DOD was represented by David A. McCormick, Esquire, and Charles D. Schults, Esquire; Nucor Steel was represented by Garrett A. Stone, Esquire, and Duncan S. McIntosh, Esquire; the City of Orangeburg was represented by James M. Brailsford, III, Esquire; SCEUC was represented by Arthur G. Fusco, Esquire; and the Consumer Advocate was represented by Elliott F. Elam, Jr., Esquire. The Commission heard the testimony of James S. Stites, for the Commission Staff; Chuck W. Fleenor, for Piedmont Natural, Warren Darby, for SCE&G; Ray Kightlinger, for SCPC, as well as the summary of comments by counsel for United Cities, the Gas Authorities, Nucor Steel, and the Consumer Advocate.

FINDINGS OF FACT

Based on the testimony received during the proceeding, the Commission makes the following findings of fact:

1. The purpose of this proceeding is in part as a result of the proposed rulemaking by the Federal Energy Regulatory Commission (FERC). A specific concern is Docket No. RM-11-000 wherein the FERC has indicated that it is its intention to require the interstate pipelines to make their services available to local distribution companies (LDC's) on an equal basis. Much of the gas coming into South Carolina is from suppliers other than the traditional interstate suppliers, whose service reliability has

only been tested for a very limited time. It is this concern over the reliability of service that prompts the Commission to undertake this docket.

2. The purpose of this proceeding is to determine if procedures can be put into place to deal with curtailments of firm supplies, which could jeopardize service to high priority firm customers, such as residential, customers, hospitals, and nursing homes.

3. The parties indicated that the more appropriate procedures would allow a natural gas system to sell gas voluntarily to another gas system during a declared emergency to accomplish the purpose which the Commission Staff has identified as the alleviation of the impact of firm supply shortages on the natural gas systems in South Carolina. The establishment of such procedures which natural gas systems would implement voluntarily will best promote a continued incentive for all jurisdictional gas systems to secure gas supplies which are reliable, reasonably priced, and adequate to meet the needs of their customers. All parties agreed that such a procedure should be voluntary.

4. The testimony supported the fact that each jurisdictional gas utility system should file a tariff in compliance with the Commission's guidelines as established herein. Each proposed tariff will be considered by the Commission on a company-by-company basis. The guidelines approved herein, are of a generic nature and each utility should formulate its own tariff taking into account the differences in each utility's operating

characteristics, and any other matter unique to that system.

5. The guidelines approved herein and as evidenced by the testimony of record supports the following:

- a. That the voluntary emergency gas transfer should take place under "emergency conditions" which should contemplate that an emergency is a situation, as existing, which is imminently threatening to service of residential and commercial customers, including but not limited to hospitals and nursing homes. The distributor making the request for an emergency gas transfer must have first made full use of all gas supplies available to it including but not limited to firm and interruptible contracts, storage service contracts, and peak shaving plants. Any firm gas being sold outside the distributor's system which made the request for the emergency gas must be terminated and such gas shall be returned to the distributor's system.
- b. The companies' tariffs should provide that rates are to be negotiated between the parties for the exchange of gas, and the entity voluntarily giving up its gas supply should be compensated, including any use of alternate fuel or peaking supplies but that no additional profit other than an appropriate return should be made on the exchange of gas.
- c. The proposed tariffs should provide that the Public Service Commission of South Carolina must be notified by the requesting utility when it makes a request for emergency gas.
- d. The Commission should be designated as the agency to oversee the transaction to make sure that there is no misuse of a "valid emergency" and to review the impact of the transaction on the utility's cost of gas. The utility should identify any gas received under these procedures, and the Commission, through its purchased gas adjustment review would maintain control as to what level of the cost of gas should be appropriate for the Company to recover. The Commission through its PGA review would audit the prudence of all gas utilities on an annual basis and review the extent of the emergency at the time and the availability of any gas supplies.

6. All gas utilities will be required to file tariffs using the guidelines outlined herein within thirty (30) days of the date of this Order. Upon receipt of the proposed tariffs by the Commission, the Commission will notice the tariffs and allow interested parties the appropriate time to file comments concerning the proposed tariffs. Thereafter, the Commission will schedule a conference between the utilities, the interested parties, and the Commission Staff to determine if agreement can be reached by all parties. If an agreement is reached by the parties on the proposed tariffs, the proposed tariffs will be presented to the Commission for its approval. If no agreement is reached by the parties, the matter may be scheduled for hearing.

CONCLUSIONS OF LAW

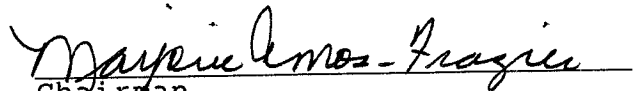
Based on the findings of fact, the Commission makes the following conclusions of law:

1. That the filing of proposed emergency gas transfer tariffs by the gas utilities in South Carolina is in the public interest and will enable the Commission to ensure reliability of service and adequate gas supplies for the gas utility customers, specifically the high priority firm customers, such as residential customers, hospitals, and nursing homes.
2. That the proposed tariffs will be considered on a company-by-company basis by the Commission, and should comply with the guidelines set forth herein.
3. The gas utility's proposed tariffs will be subject to a comment period and negotiations with the Commission Staff and other

interested parties. Thereafter, the proposed tariffs will be subject to Commission consideration either by way of stipulation, or by presentation in a formal proceeding before the Commission.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)